

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6065

BILL NUMBER: SB 17

DATE PREPARED: Nov 9, 1998

BILL AMENDED:

SUBJECT: State textbook funding for school corporations.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		70,200,000	70,800,000
Net Increase (Decrease)		(70,200,000)	(70,800,000)

LOCAL IMPACT	CY 1999	CY 2000	CY 2001
Local Revenues			
Local Expenditures	(8,500,000)	(16,100,000)	(15,400,000)
Net Increase (Decrease)	8,500,000	16,100,000	15,400,000

Summary of Legislation: Textbook Grants- This bill provides an annual state textbook grant to school corporations of \$85 per ADM for providing textbooks to students.

Textbook Rental & Library programs- Sections 15 and 23 of this bill abolish the textbook rental program and the school textbook library program. Section 11 redefines "textbook" to include the various kinds of instructional materials currently eligible for state reimbursement under the textbook assistance program for students from low income families.

Textbook reimbursement program - Sections 7 and 23 of this bill continues the textbook reimbursement program for nonpublic school students from low income families but repeals the fund for public school students.

Poor Relief- Sections 9 and 25 repeals the obligation of township trustees to pay school fees for textbooks and directs the state board of tax commissioners to reduce the ad valorem property tax levy.

Textbook Fund- Section 20 requires a school corporation to establish a textbook fund and to appropriate money from the fund to acquire textbooks to loan to all students without charge.

The bill also makes conforming changes and transitional provisions.

Effective Date: July 1, 1999.

Explanation of State Expenditures: Textbook Grants- While no appropriation exists in the bill, school corporations would be eligible for state funding based on a state grant per ADM of \$85. The added costs to the State General Fund are based on projected ADM (Average Daily Membership) multiplied by \$85. The added costs would be \$82.7 million in FY 2000, \$83.3 million in FY 2001 and \$83.8 million in FY 2002.

Elimination of State Appropriation for Textbooks: The State General Fund currently appropriates \$12.5 million to pay for a portion of the costs of textbook rental fees that are waived by school corporations for children of families who qualify for the Federal Free Lunch Program. Since the portion of the program pertaining to public schools would be abolished, the State General Fund would realize a savings of \$12.4 million annually.

Poor Relief/Reduction of PTRC: The state pays 20% Property Tax Replacement Credit (PTRC) on poor relief levies. The reduction in the poor relief levy explained under local revenues will result in a reduction in the amount of \$73,000 paid by PTRC (20% of \$366,000). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the State General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the State General Fund.

<u>FY</u>	<u>Textbook Adopted</u>	<u>Textbook Grants</u>	<u>Elim. Of State Appropriation for Textbooks</u>	<u>less: Reduction in PTRC</u>	<u>Net Cost</u>
2000	Science and Health	\$82.7 M	(\$12.4 M)	(\$0.073 M)	\$70.2 M
2001	Miscellaneous	\$83.3 M	(\$12.4 M)	(\$0.073 M)	\$70.8 M
2002	Reading/Handwriting	\$83.8 M	(\$12.4 M)	(\$0.073 M)	\$71.3 M
2003	Language Arts	\$84.4 M	(\$12.4 M)	(\$0.073 M)	\$71.9 M

Explanation of State Revenues:

Explanation of Local Expenditures: While school corporations would continue to pay the costs of textbooks, they would recover their costs from a state grant rather than from the current sources of funds which are explained below. The projected revenue from the state grant is projected to exceed the revenue from these current sources thereby reducing local school expenditures.

Explanation of Local Revenues: School corporations currently recover their expenditures for textbooks from textbook rental fees, sales of used textbooks, state reimbursement for the textbooks for children who qualify for the Federal Free Lunch Program and financial assistance from township trustees. As proposed by this bill, school corporations would now recover their costs through a state grant of \$85 per ADM and eliminate all other revenue sources. Consequently, textbook rental fees would no longer be charged and

schools would no longer receive payments from either the current Textbook Reimbursement Program funded by the State General Fund or from township trustees.

The following table compares the projected costs and revenues to school corporations under current law to the projected costs and revenues as proposed by this bill.

Estimate Based on Current Law: Under current law, the revenues that school corporations receive from textbook fees and sales are projected to continue increasing at a rate of 2.4% annually. Reimbursements from the State General Fund for textbook reimbursements and assistance from township trustees are assumed to remain at the 1998 level. Textbook purchases are projected to increase by 6.2% annually. The difference between projected revenues and expenditures are shown in the column noted “Net Diff.” These projections show that generally costs will exceed the collected revenues assuming that the projected trends occur.

Estimated Based on Proposed Bill: As proposed by this bill, school corporations would receive revenue from a state grant based on each corporation’s ADM. This grant revenue, estimated to be approximately \$83 million per year, is projected to exceed the revenue that school corporations currently receive from four other general sources. The townships’ maximum levies would be reduced by \$366,000 which will translate into a gross property tax reduction in the same amount. Taxpayers would receive net property tax relief (after PTRC) of about \$292,800. The projected savings for local units of government in future years is based on reported expenditures of \$366,000 for CY 1998.

Also, under current law, school corporations may provide free textbooks through elementary and high school libraries if 51% of the registered voters in the school district approve a referendum. This bill would reduce the General Fund levy of school corporations that currently provide free textbooks. LSA staff was not able to identify any school corporations that provide free textbooks through this statute.

Net Change: The final column in the table below shows the difference between the net differences of the two sets of projections. Overall, when comparing the differences in projections between current law and this proposed bill, school corporations would realize additional revenues of an estimated \$8.5 million in CY 1999, \$16.1 million in CY 2000 and \$15.4 million in CY 2001 under this bill.

	Estimate Based On Current Law			Estimate Based on Proposed Bill			Net	
<u>CY</u>	<u>Projected Revenue</u>	<u>Projected Costs</u>	<u>Net Diff.</u>	<u>State Grant</u>	<u>Projected Costs</u>	<u>less: Trustees Assistance</u>	<u>Net Diff.</u>	<u>Change</u>
1999	\$32.9 M	(\$36.3 M)	(\$3.3 M)	\$41.4 M	(\$36.3 M)	\$0.183M	\$5.2 M	\$8.5 M
2000	\$67.1 M	(\$75.5 M)	(\$8.4 M)	\$83.0 M	(\$75.5 M)	\$0.366 M	\$7.7 M	\$16.1 M
2001	\$68.4 M	(\$68.0 M)	\$0.4 M	\$83.6 M	(\$68.0 M)	\$0.366 M	\$15.8 M	\$15.4 M
2002	\$69.7 M	(\$84.3 M)	(\$14.5 M)	\$84.2 M	(\$84.3 M)	\$0.366 M	\$0.1 M	\$14.6 M

State Agencies Affected: Department of Education, State Board of Tax Commissioners

Local Agencies Affected: School Corporations

Information Sources: Department of Education Data Bases; Local Government Data Base.